

BEST'S REVIEW® ISSUES & ANSWERS:

Asset Management

Interviewed Inside:



Orhan Sarayli
Barings

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Infrastructure Debt Edge

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Institutional investors have been steadily increasing their allocations to infrastructure debt in recent years, drawn by its combination of long-duration cash flows, contractual structures, and diversification benefits relative to traditional fixed income. Orhan Sarayli, Head of Barings North America Infrastructure Group, spoke with *Best's Review* to explore how infrastructure debt is being used within insurer portfolios. Following are excerpts from the interview.

How does infrastructure debt fit into an insurer's asset allocation?

Infrastructure debt offers several benefits to an insurance strategy. First and foremost, it has demonstrated strong performance from a loss perspective. From a risk perspective, its capital protection and strong risk-return attributes can add meaningful value to an insurer's portfolio. Additionally, it provides diversification benefits and typically consists of long-lived assets, which can be accretive in extending a portfolio's duration profile.

Is this intended as a long-term core allocation or more of an opportunistic sleeve?

Infrastructure debt can be both, depending on how an insurer wants to participate. The asset class has matured and broadened in its offering set, allowing insurers to engage in multiple ways to meet their objectives. It can function as a strong core component within a long-term portfolio. At the same time, the growth of higher-yield strategies and more opportunistic approaches—including collateralized loan obligations—has expanded the range of potential entry points. As a result, infrastructure debt can serve as either a core allocation or an opportunistic strategy, depending on an insurer's needs.

How resilient are these assets through economic cycles?

Resilience is one of the key strengths of infrastructure debt. Over the period we've managed our portfolio—including the global financial crisis, the pandemic—the asset class has demonstrated strong performance. Over time, infrastructure debt has also compared favorably to other asset classes in terms of default rates and loss statistics.

Orhan Sarayli

Head of North America Infrastructure Group
Barings



“The defensive nature and essentiality of these assets contribute to that strong performance, making them an ideal portfolio component.”

Scan or click to watch an interview with Orhan Sarayli.

Are returns driven more by liquidity or structural complexity?

It's a combination of both—and more. Infrastructure debt is less liquid than many other asset classes, allowing investors to capture an illiquidity premium, which we actively seek across borrowers. There are also structural premiums, as these assets tend to be highly contracted. As a result, careful evaluation of how those contracts perform under stress is critical. Additionally, operational considerations—such as labor dynamics—add complexity. While this requires deeper analysis, we believe the added effort is worthwhile. In many cases, a rated infrastructure asset can outperform a comparable corporate asset. When pricing is similar, investors may effectively capture a premium and more benefits from the structural and liquidity characteristics.

